

# Bill raises appraisal company standards

## Proposed rules aimed at intermediary firms

4 comments by J. Craig Anderson - May. 4, 2010 12:00 AM

The Arizona Republic

A bill seeking to regulate a powerful group of intermediaries in the home-appraisal process received approval in the waning hours of the legislative session Thursday and now awaits Gov. Jan Brewer's signature.

A group of Arizona real-estate appraisers helped draft Senate Bill 1351, which they said would force a group of real-estate firms known as appraisal-management companies to meet higher standards of conduct and to disclose their fees to consumers.

If signed into law, the bill would require background checks on appraisal-management company owners, force companies to reveal hidden fees to consumers, and make companies comply with existing rules for lenders and appraisers.

Appraisal-management companies rose to prominence in May 2009, when federally sponsored loan guarantors Fannie Mae and Freddie Mac agreed to new rules that require their use when obtaining an appraisal for a new or refinanced home loan.

Sue Miller, president of the Coalition of Arizona Appraisers and co-owner of Phoenix appraisal company Miller-Pipher Inc., said the current rules hand over large responsibility to appraisal-management companies without including them in regulations to keep appraisals honest and objective.

Many real-estate sellers, appraisers, agents and brokers have criticized the code, which forbids direct contact between brokers and appraisers, effectively requiring the use of appraisal-management companies. Critics say those management firms have become too powerful.

The management firms act as intermediaries, assigning appraisers on behalf of a lender or a mortgage broker. Under the old system, banks and brokers hired appraisers directly, but many critics had accused brokers, real-estate agents and others of asserting undue influence over the appraised value of many homes for sale.

While many appraisers have said the rules implemented in May 2009 have benefited appraisers and consumers, some have complained that the management firms have tried to influence appraisals in the same manner as the groups they were appointed to replace.

Miller said the proposed law would be self-funding, because appraisal-management firms would have to pay an annual fee.

It would require them to be registered and licensed through the Arizona Board of Appraisal, which Miller said would help solve a recent scam in which groups claiming to be appraisal-management companies have solicited fees from appraisers to be placed on their lists of potential contractors and then are never heard from again.

"We're hoping this gets rid of the riffraff," she said, "the ones who charged appraisers annual fees and then didn't give them any work."

The bill was first approved in the Senate and then by the House of Representatives on Thursday.

Miller said the bill has faced little opposition from the appraisal-management companies, and that one even congratulated her for garnering the House's **approval**.

**Reach the reporter at [craig.anderson@arizonarepublic.com](mailto:craig.anderson@arizonarepublic.com).**

Read more: <http://www.azcentral.com/business/articles/2010/05/03/20100503biz-appraisal0504.html?source=nletter-business#ixzz0mynqsoF7>